Specimen Exam

Exam Name: Business Law – Cyprus (K3 CYP)
Time allowed: 2 hours
Pass Mark: 50%

This exam contains:

50 questions, each worth 2 marks
100 marks in total

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Question 1

In the context of contract law, which of the following remedies aims to put the innocent party in the position they would have been in had the contract been performed?

A Specific performance
B Rescission
C Damages
D Injunction

Question 2

In the context of contract law, which of the following explains what the requirement for the intention to create legal relations means?

A That the contract must be signed in front of a lawyer
B That both parties must receive the same value from the contract
C That both parties must intend that their agreement will be legally enforceable
D That the agreement must be in writing

Question 3

Which of the following cases falls within the jurisdiction of the District Courts?

A A claim for the wrongful termination of employment
B A criminal prosecution for an offence punishable with up to ten years imprisonment
C A claim for damages for breach of contract
D A petition for divorce

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Question 4

KLG Ltd, a private company registered in Cyprus, wants to hold its annual general meeting. The articles of association of KLG Ltd are silent on the notice period. The directors plan to notify shareholders five days before the meeting via email.

Which of the following statements in relation to company law is CORRECT?

A The meeting is valid because directors can decide the notice period if the articles of association are silent
B The meeting is invalid because shareholders must receive at least 21 days' notice for an annual general meeting
C The meeting is valid if shareholders verbally agree to attend, regardless of notice
D The meeting is invalid because meetings cannot be called via email

Question 5

Under company law, which of the following regarding the use and registration of company names is TRUE?

A A company name can be identical to any existing company name
B The Registrar of Companies can reject a company name that is too similar to an existing company name to avoid confusion
C There are no legal restrictions on misleading company names under Cyprus laws
D Once registered, a company name cannot be challenged by any other party

Question 6

Which of the following is required when preparing the memorandum and articles of association for a private company?

A Approval from the Ministry of Finance
B The signature of at least one licensed auditor
C Drafting by a licensed lawyer in Cyprus
D Endorsement by the European Business Registry Association

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Question 7

In the context of employment law, which of the following is the meaning of constructive dismissal?

A A dismissal without notice
B Lawful termination by the employer
C Immediate termination for gross misconduct
D Resignation by an employee due to the employer's serious breach

Question 8

In the context of the Companies Law Cap.113, which of the following is the MAXIMUM liability of a shareholder being found guilty of participating in a company's fraudulent trading for the company's debts?

A Unlimited
B Limited up to the amount unpaid for the shares they hold
C Limited up to the amount of the share capital
D No liability given the corporate veil

Question 9

In the context of the Companies Law Cap.113, which of the following is a CORRECT method to determine whether a company is unable to pay its debts as they fall due?

A Its share capital is below €25,000
B Failure to pay its employees on time
C Its liabilities exceed its assets
D Failure to hold a board meeting for 12 months

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Question 10

Maria is a senior executive at a listed company on the Cyprus Stock Exchange. Before a public announcement of a major merger, she tells her friend about the deal. Her friend then buys shares in the company, expecting the price to rise after the news is made public.

Which of the following describes Maria's liability?

A No liability because Maria did not trade shares herself
B Not liable for insider dealing, since the information was shared informally
C Liable for insider dealing, as both Maria and her friend used non-public, price-sensitive information
D No liability because the merger was eventually disclosed to the public

Question 11

George enters into a contract to build a swimming pool for Maria's house by 1 July. Before starting the work, a law is passed banning all residential pool construction due to drought restrictions. Neither party was aware this would happen.

Which of the following explains how this contract is discharged?

A By performance
B By breach
C By agreement
D By frustration

Question 12

Which of the following is NOT required to reduce the issued share capital of a company?

A Authorisation under the company's articles of association
B Authorisation by the company's board of directors
C Special resolution
D Court approval

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Question 13

What is the MAXIMUM redundancy pay that an employee working continuously for three years is entitled to?

A 2 weeks' salary
B 3 weeks' salary
C 4 weeks' salary
D 6 weeks' salary

Question 14

Which of the following is necessary for the formation of a valid agency relationship?

A A written contract signed by both parties
B Consent by the principal to act on their behalf and the agent's consent to act
C A formal power of attorney document
D Payment of a fee to the agent

Question 15

A company advertised its medicine and promised to pay €500 to anyone who used it every day for a week but still caught a cold. The company stated that €10,000 was set aside for this purpose. Maria followed the instructions exactly but still got sick. The company refused to pay her €500.

Which of the following in relation to contract law is CORRECT?

A Maria did not sign a contract hence the promise is not valid
B The company made a clear offer which Maria accepted by using the product
C Advertisements do not constitute offers but are merely promotional puffery
D Maria had to inform the company before using the medicine

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Question 16

Which of the following is a key factor in the difference between an employment contract and a contract with an independent contractor?

A The length of the contract term
B Whether the individual is required to provide their own tools and equipment
C The individual's obligation to perform work personally under the employer's control
D Whether the contract is written or oral

Question 17

Under the Termination of Employment Law of 1967 (as amended), which of the following is considered an UNFAIR reason for dismissal?

A Serious misconduct by the employee
B Redundancy, following proper legal procedure
C Participating in lawful trade union activities
D The employee reaching retirement age

Question 18

Which of the following factors is NOT a requirement as to the validity of a contract?

A Capacity
B Legality of purpose
C Certainty
D Fairness of the bargain

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Question 19

An audit firm in Cyprus is approached by a new client who wants to set up a complex company structure involving multiple offshore entities. The client refuses to explain the source of the funds and insists on paying in large amounts of cash.

Which of the following actions should the audit firm take under Cyprus's anti-money laundering regulations?

A Accept the payment if the client signs a standard engagement letter
B Proceed with the transaction but avoid asking more questions to maintain client trust
C Decline the business relationship and file a suspicious activity report
D Complete the transaction and report it only if a crime is proven later

Question 20

Under the Companies Law Cap.113, which of the following is the primary purpose of examinership for a company facing financial difficulties?

A To liquidate the company and pay off all creditors immediately
B To give the company court protection from creditors while a restructuring plan is prepared to save the business
C To allow the company to increase its share capital without shareholder approval
D To appoint a liquidator to sell the company's assets for maximum profit

Question 21

In the context of contract law, which of the following is NOT a valid method of acceptance?

A Conduct
B Oral
C Silence
D Writing

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Question 22

In the context of the laws on bribery, which of the following is/are NOT permitted actions by public officers?

(1) Receipt of presents other than ordinary gifts from friends

(2) Giving presents other than ordinary gifts to friends

(3) Acceptance of a reward beyond their proper pay for performance of their duty

(4) Directing an arbitrary act prejudicial to the rights of another

A 2 and 4 only
B 1, 3 and 4 only
C 1, 2 and 3 only
D 1, 2, 3 and 4

Question 23

Which of the following is required to remove a company auditor?

A An ordinary resolution with special notice
B A special resolution
C A special resolution with special notice
D An extraordinary resolution

Question 24

Which of the following CANNOT amount to termination of an offer?

A A counter-offer by the offeree
B Revocation by the offeror after it comes to the knowledge of the offeree
C Revocation by the offeror after communication of its acceptance by the offeree
D Expiration of the stated acceptance period

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Question 25

In the context of the Companies Law Cap.113, which of the following is required to amend the articles of association of a private company?

A An ordinary resolution
B An extraordinary resolution
C A special resolution
D A court order

Question 26

What should the net level of turnover NOT exceed for a group to be classed as a small-sized group?

A €4,000,000
B €6,000,000
C €8,000,000
D €10,000,000

Question 27

XYZ Ltd is struggling financially and owes significant debts to its suppliers. Despite knowing it cannot pay these debts, its directors continue to accept new orders and payments until the commencement of its winding up, which they use to pay off some insiders but leave most creditors unpaid.

Which of the following is the directors' liability under the Companies Law Cap.113?

A The directors acted responsibly by trying to keep the business running and have no liability
B The directors may be held liable for fraudulent trading
C The directors are only liable if the company formally declared insolvency
D The directors have no liability if they eventually pay some creditors

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Question 28

In the context of the Cyprus legal system, which of the following sources of law take supremacy over statutes of the Republic?

(1) European Union Laws

(2) The Constitution

(3) Decisions of the Supreme Court

A 1 only
B 2 and 3 only
C 1 and 2 only
D 1, 2 and 3

Question 29

In accordance with the Cyprus Corporate Governance Code, which of the following is how often company directors should resign from office?

A At least every year
B At least every two years
C At least every three years
D At least every four years

Question 30

Which of the following is the meaning of apparent authority of an agent?

A Authority expressly granted by the principal to the agent, either orally or in writing
B Authority an agent reasonably believes they have based on the principal's conduct, even if not actually granted
C Authority created when a third party reasonably believes the agent has authority due to the principal's representations
D Authority given by law to an agent to act in emergencies without the principal's consent

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Question 31

Dina agrees to buy a concert sound system from Evan. Dina says that it must be delivered by Saturday or she cannot use it. Evan delivers it on Monday instead.

Which of the following types of term is Dina's statement?

A A warranty
B An innominate term
C A condition
D A representation

Question 32

Which of the following must exist before an equitable doctrine may apply in Cyprus?

A Compatible statutory provision governing the matter
B Regulation in the Constitution
C No statutory provision governing the matter
D Precedent of the Supreme Court

Question 33

In the context of contract law, which of the following in relation to consideration in a valid contract is TRUE?

A It must be equal in value for both parties
B A promise can be enforced even without consideration, provided it is in writing
C It must be something of value but does not need to be of equal value
D Only money counts as valid consideration in a legal contract

Question 34

Which of the following CANNOT be appointed the company secretary of a private company with two shareholders?

A Its sole director
B One of its shareholders
C A corporate entity
D One of its creditors

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Question 35

Under Cyprus law relating to computer misuse and cybercrime, which of the following actions by an accountant would be considered a criminal offence?

A Using weak passwords to access company financial systems
B Intentionally accessing or altering client financial data without authorisation
C Failing to back up financial records regularly
D Discussing financial reports with team members

Question 36

Which of the following are the responsibilities of the Cyprus Public Audit Oversight Board?

(1) Approval and registration of auditors
(2) Continuing education of auditors
(3) Disciplinary procedures for auditors

A 1 only
B 1 and 2 only
C 2 and 3 only
D 1, 2 and 3

Question 37

In the context of the partnership law, which of the following applies to a limited partnership?

A All partners actively manage the business
B There must be at least one general partner and one or more limited partners
C It must be registered as a separate legal entity distinct from its partners
D All partners share liability and profits regardless of their involvement

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Question 38

Which of the following is NOT a statutory right of an employee?

A Social insurance contribution
B Contribution to the national health system
C Paid annual leave
D Provident fund contribution

Question 39

Which of the following doctrines describes the meaning of *stare decisis*?

A Precedent
B Necessity
C Natural justice
D Equity

Question 40

Which of the following statements about the differences between shareholders and debenture holders in a company is TRUE?

A Shareholders receive fixed interest payments, while debenture holders share in company profits
B Shareholders are creditors of the company, while debenture holders are owners
C Debenture holders have voting rights at general meetings, while shareholders do not
D Shareholders are owners of the company, while debenture holders are creditors and have priority in repayment upon liquidation

Question 41

In the context of the Companies Law Cap.113, which of the following is the meaning of issuing shares at a premium?

A The shares are issued below their nominal value
B The shares are issued only to existing shareholders
C The shares are issued at a price above their nominal value
D The shares are issued without requiring payment from investors

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Question 42

Which of the following is NOT included in a public company's memorandum of association?

A The company's objects
B The issued share capital
C The company's name
D The minimum number of directors

Question 43

Helen is a non-executive director of ABC plc.

Which of the following applies to Helen?

A She was not elected by shareholders but appointed by ABC plc's creditors
B She is not involved in the daily management of ABC plc
C She is responsible for handling compliance matters
D She has unlimited liability for the debts of ABC plc

Question 44

Which of the following is a key anti-money laundering obligation for accountants?

A Reporting all transactions above €100 to the Central Bank
B Refusing service to clients who decline to share their nationality
C Conducting customer due diligence and reporting suspicious transactions to the Unit for Combating Money Laundering (MOKAS)
D Disclosing all client account details to the public registry

Question 45

Which of the following remedies are available for the unlawful use of intellectual property rights?

A An injunction to stop further infringement
B Criminal penalties
C Automatic transfer of ownership of the intellectual property to the injured party
D No remedy if the infringement was unintentional

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Question 46

Which of the following in relation to the nature of a floating charge is TRUE?

A It attaches immediately to specific, identifiable assets at the time of creation
B It creates a fixed security interest over land and buildings
C It creates a security interest over a class of assets that may change in the ordinary course of business and crystallises upon certain events
D It is a type of equitable charge that can only be enforced by a court order

Question 47

In relation to a company's voluntary winding up, which of the following is responsible for drafting the declaration of solvency?

A The creditors
B The general meeting
C The managing director
D The board of directors

Question 48

Which of the following in relation to public companies is TRUE?

(1) The number of its members must exceed 50
(2) The transfer of shares must be unrestricted
(3) The number of its directors must be at least two
(4) The company secretary can never be the same person as a director

A 3 only
B 1 and 2 only
C 3 and 4
D 1, 2 and 4 only

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Question 49

Three friends form a general partnership to run a café. The partnership takes a loan of €50,000 to renovate the café but later fails to repay it.

Which of the following statements describes the partners' liability for the partnership debt?

A Only the partner who signed the loan agreement is personally liable
B All partners are jointly and severally liable for the full amount of the partnership debt
C Each partner is only liable up to the amount they invested in the partnership
D None of the partners are personally liable because the partnership is a separate legal entity

Question 50

Andrew bought a used car from a dealer. Before the sale, the dealer told him that the car had never been in an accident. Later Andrew discovered that the car had actually been in various accidents.

In the context of contract law, which of the following describes how the dealer's statement would be classified?

A A term of the contract, allowing Andrew to sue for breach of contract
B A representation, allowing Andrew to sue for misrepresentation
C An invitation to treat, with no legal consequences
D A mere opinion, which cannot be relied upon legally

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